

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L USNATO 5225

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TAGS: EFIN, MCAP, NATO

SUBJECT: BURDENSARING: REVISED DATA OF ALLIED MILITARY PROCUREMENT
IN THE U.S.

REF: A. STATE 204280

USNATO 2561

SUMMARY. LATEST ECONOMIC DIRECTORATE REPORT TO SYG ON BURDENSARING
STILL ESTIMATES ALLIED MILITARY PROCUREMENT IN US DURING FY 74 AT
\$1.1 BILLION. SEVERAL COUNTRIES HAVE PROVIDED REVISED DATA TAKING
ACCOUNT OF PURCHASES DURING LATTER HALF OF FY 74. BELGIUM HAS
CALCULATED PURCHASES OF GOODS WITH POTENTIAL MILITARY USE, PROVIDING
MODEL FOR OTHER COUNTRIES. MAJOR PROBLEM FOR DISCUSSION IN WASHINGTON
CONSULTATIONS WITH LAULAN IS OVERSTATEMENT OF INFRASTRUCTURE PROGRAME
PURCHASES BY ITALY, GREECE, AND TURKEY AND DOUBT
THIS CASTS ON POORLY DOCUMENTED ESTIMATES BY THOSE COUNTRES OF
BILATERAL PROCUREMENT. END SUMMARY.

1. MISSION POUCHED TODAY (KENNETH KURZE, EUR/EPM) ADVANCE COPY OF
DRAFT ECONOMIC DIRECTORATE REPORT TO SYG ON MOST RECENT TABULATION OF
ALLIED MILITARY PROCUREMENT IN US DURING FY 74 AND COPIES OF NEW
CONFIDENTIAL

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OR REVISED DATA PROVIDED ECONOMIC DIRECTORATE BY BELGIUM,
LUXEMBOURG, DENMARK, NETHERLANDS, NORWAY, AND TURKEY. THIS INFORMA-
TION, TOGETHER WITH EARLIER COUNRY REPLIES SENT DEPARTMENT LAST
MAY (REF B) WILL SERVE AS BASIS FOR DISCUSSIONS IN WASHINGTON

OCTOBER 21 AND 22 WITH ECONOMIC DIRECTOR LAULAN.

2. ECONOMIC DIRECTORATE'S TABULATION, WHICH INCLUDES REPORTED BILATERAL PROCUREMENT AS WELL AS PAYMENTS MADE UNDER MULTILATERALLY FUNDED PROGRAMS, STILL TOTALS \$1.1 BILLION. DIRECTORATE'S REPORT TO SYG NOTES THAT TABULATION INCLUDES ESTIMATE OF FRENCH PROCUREMENT IN US OF \$45 MILLION WHICH FRENCH AUTHORITIES HAVE CONFIRMED. NEVERTHELESS, AT REQUEST OF NATO'S AD HOC BURDENSARING WORKING GROUP, WHICH BELIEVES FRENCH PURCHASES ARE UNDERESTIMATED, ECONOMIC DIRECTORATE HAS REQUESTED FRENCH AUTHORITIES TO REEXAMINE THEIR DATA ON MILITARY PROCUREMENT. OTHER COUNTRIES, WITH EXCEPTION OF ITALY AND TURKEY, HAVE EITHER CONFIRMED PREVIOUS ESTIMATES OR PROVIDED NEARLY FINAL DEW DATA. OF THESE COUNTRIES, ONLY NORWAY HAS NOT YET FURNISHED DATA RELATING TO SECOND HALF OF US FY 74.

3. REPORT TO SYG STATES THAT PAYMENTS MADE THROUGH NATO AGENCIES AND IN IMPLEMENTATION COMMONLY FUNDED PROGRAMS ARE BASED ON NEW INFORMATION RECEIVED FROM THESE AGENCIES AND MAY BE CONSIDERED FINAL. CONCERNING PAYMENTS MADE TO US FIRMS THROUGH NATO INFRA-STRUCTURE PROGRAM, FIGURES ARE BASED ON NEW REPLIES THAT MEMBER COUNTRIES PROVIDED TO INFRASTRUCTURE DIRECTORATE'S QUESTIONNAIRE (INFRA/PCA(74)9), WITH EXCEPTION IF ITALY, GREECE, AND TURKEY, WHICH HAVE NOT YET PROVIDED NEW ESTIMATES.

4. REPORT NOTES THAT \$1.1 BILLION TOTAL ESTIMATE DOES NOT INCLUDE CERTAIN COMPLEMENTARY PURCHASES FORESEEN BY JACKSON-NUNN AMENDMENT, SUCH AS BELGIUM'S INTENTION TO BUY LANCE. IN THIS PARTICULAR CASE, ACCORDING TO ECONOMIC DIRECTORATE'S REPORT, US AUTHORITIES HAVE AGREED TO CONSIDER \$15.5 MILLION AS ENTERING US MILITARY BOP IN FRAMEWORK OF COMPLEMENTARY PURCHASES. FURTHERMORE, MOST OF COUNTRIES HAVE NOT INCLUDED IN THEIR REPORTS PAYMENTS MADE TO OTHER MEMBER COUNTRIES FOR PURCHASES OF MILITARY EQUIPMENT WHICH INCLUDE AMERICAN MANUFACTURED COMPONENTS. FINALLY, SOME COUNTRIES HAVE NOT YET PROVIDED INFORMATION ON FIRM-TO-FIRM TRANSACTIONS, AND ONLY BELGIUM AND GREECE HAVE COMMUNICATED DATA ON PURCHASES OF GOODS OF POTENTIAL MILITARY USE IN CONFORMANCE WITH ADDITIONAL LIST CONFIDENTIAL

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OF ITEMS MADE AVAILABLE BY U.S. DURING EARLIER CONSULTATIONS IN NATO. ECONOMIC DIRECTORATE CONSIDERS LAST POINT IMPORTANT SINCE BELGIUM, WHICH ESTIMATES PURCHASES OF GOODS OF POTENTIALLY MILITARY USE AT \$13.4 MILLION AND SPELLS OUT DATA AND RATIONALE FOR ARRIVING AT THIS FIGURE, HAS DEMONSTRATED METHODOLOGY THAT OTHER COUNTRIES COULD ADAPT.

5. MISSION COMMENT. SINCE ITALY, GREECE, AND TURKEY HAVE NOT PROVIDED REVISED DATA ON PURCHASES IN US THROUGH NATO INFRASTRUCTURE PROGRAM, TOTALY OF PAYMENTS FLOWING TO US UNDER INFRASTRUCTURE IS, ACCORDING TO MISSION CALCULATIONS, OVERESTIMATED BY APPROXIMATELY \$46 MILLION AS FOLLOWS:

REPORTED BY COUNTRIES MISSION CALCULATION

	(\$MILLION)	(\$MILLION)
DENMARK	117	117
GREECE	21,216	2,740
ITALY	4,776	1,004
NORWAY	2,093	2,772
PORTUGAL	615	615
TURKEY	29,930	5,455
UK	476	476
TOTALS	59,223	13,179

ITALIAN, GREEK AND TURKISH PURCHASES THROUGH INFRASTRUCTURE PROGRAM OVERESTIMATED, BECAUSE APPARENTLY THEY HAVE INCLUDED ORDERS MADE AND LETTERS OF CREDIT ESTABLISHED ON WHICH PAYMENTS HAVE NOT BEEN MADE AND HAVE INCLUDED PAYMENTS TO FIRMS BASED IN EUROPE WHERE THERE IS NO DOLLAR FLOW TO US. PROBLEM IS NOT ONLY IN ESTIMATE OF PAYMENTS THROUGH INFRASTRUCTURE PROGRAM, WHERE DOLLAR AMOUNTS INVOLVED ARE SMALL, BUT IN DOUBT THIS CASTS ON POORLY DOCUMENTED ESTIMATES OF ITALY, GREECE, AND TURKEY OF BILATERAL MILITARY PROCUREMENT IN US. IF BILATERAL PURCHASES OF THESE COUNTRIES ARE OVERSTATED BY A FACTOR OF TWO, AND TAKING INTO ACCOUNT OVERESTIMATION OF INFRASTRUCTURE PROGRAM PROCUREMENT, OVERSTATEMENT OF TOTAL MILITARY PURCHASES IN US MAY BE AT PRESENT ABOUT \$235 MILLION, AND TOTAL MAY THEREFORE BE CLOSER TO \$866 MILLION (RATHER) THAN \$1.1 BILLION. THIS PROBLEM, ALONG WITH POSSIBILITY OF IDENTIFYING ADDITIONAL PROCUREMENT IN US OF GOODS WITH POTENTIALLY MILITARY USE ALONG BELGIAN MODEL, SHOULD BE PRIORITY QUESTIONS FOR DISCUSSION DURING CONFIDENTIAL

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CONSULTATIONS WITH LAULAN.
MCAULIFFE.

CONFIDENTIAL

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